

1996 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE ALABAMA ECONOMY

The importance of small business to the state of Alabama is once again evident in the 1996 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA), Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy.

Of the **75,349** full-time business firms with employees in Alabama, **97.5** percent are small businesses (independent businesses with fewer than 500 workers). In addition to the number of employer businesses, there were also **127,000** full-time self-employed persons in Alabama in 1995, for a total estimated full-time 1995 business population of **202,349** firms.

Small Business Income - The income of sole proprietors and partners rose **8.0** percent to **\$5.0** billion in 1995, while wage-and-salary income rose **6.0** percent. Total personal income rose **5.0** percent to **\$80.2** billion. The state also exported **\$4.76** billion of goods and services in 1995.

Alabama's number of women-owned businesses, including part-time firms, increased **48.8** percent from 1987 to 1992, totaling **71,466**. The number of Black-owned firms, including part-time firms, increased **45.8** percent from 1987 to 1992, totaling **14,707** in 1992. The number of Hispanic-owned firms, including part-time businesses, rose **159.2** percent during the same time period with **1,029** firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaska Natives. The

number for the group grew from **1,007** in 1987, to **1,777** in 1992, representing a **76.5** percent increase.

Small businesses with fewer than 20 employees reported **11.7** percent employment growth from 1991 to 1995. These numbers clearly reflect the importance of small business firms as job creators in the state of Alabama.

The composition of small business in Alabama is very diverse. The **Health Services** industry is the largest small business employer in Alabama. Other significant small business industries are, in descending order: **Eating and Drinking Places, Special Trade Contractors, Wholesale Trade-Durable Goods, and Membership Organizations**. The fast-growing industries include **Electric and Electronic Equipment, Museums, Commodity Brokers and Services, Furniture and Fixture Manufacturing, and Primary Metal Mining**.

The state of Alabama had somewhat mixed economic signals in 1995. The number of new business incorporations increased by **7.2** percent, but the number of new firms declined **9.4** percent. Business bankruptcies increased by **11.0** percent but business failures declined by **17.8** percent.

An SBA Office of Advocacy study found that Alabama's top lenders to small businesses in 1996 were:

1. Bankers Trust of Madison
2. Bank of Dadeville
3. Independent Bank of Oxford
4. West AL B&TC
1. First Bankers and Trust
2. First American Bank
3. Southtrust Bank
4. First Montgomery Bank
5. Farmers National Bank
6. First National of Jasper

8. Home Bank

In sum, small businesses have a striking impact on Alabama's economy. Not only do they play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1993, the latest year available, and was prepared for the Office of Advocacy, U.S. Small Business Administration by the Bureau of the Census, U.S. Department of Commerce.

The first table lists the industries that were the top five employers in the state, without regard to the size of the firm that provided the jobs. The next to last column in the table shows the percentage of persons employed in firms with fewer than 500 employees (small businesses) in those industries.

The second table lists the industries that employ the most people in firms with fewer than 500 employees. These are the top small business employing industries in the state. The "percent of total" column provides the percentage of total employment in the state accounted for by each of the industries listed.

The third table lists--for the 1991-1993 period--the fastest growing small business industries in the state. As many as five industries are shown. If fewer than 5 industries are shown, it is because 1991-1993 was a recessionary period in which there was little national employment growth. The industries listed represent those in which small businesses sustained the economy during a period of little aggregate employment growth.

Top Five Industries in Alabama by Employment, 1993

INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	PERCENT SMALL	RANK
Health Services	168,824	11.8	38.5	1
Eating & Drinking Places	92,959	6.5	58.5	2
Business Services	66,649	4.6	50.2	3
Apparel & Other Textiles	53,090	3.7	28.4	4
Food Stores	51,969	3.6	38.9	5
TOTAL, ALL INDUSTRIES	1,433,660	100.0	49.9	

Top 5 Small-Business-Dominated Industries in Alabama by Employment, 1993

INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	RANK
Health Services	65,034	9.1	1
Eating & Drinking Places	54,411	7.6	2
Special Trade Contractors	41,913	5.9	3
Wholesale Trade-durable Goods	38,733	5.4	4
Membership Organizations	35,417	4.9	5
TOTAL, SMALL-BUSINESS-DOMINATED INDUSTRIES	716,009	100.0	

Fastest Growing Industries for Small Business in Alabama, 1991 -1993

INDUSTRY	SMALL BUSINESS EMPLOYMENT IN 1991	1993	PERCENT CHANGE, 1991-1993	RANK
Health Services	56,007	65,034	16.1	1
Apparel & Other Textiles	13,296	15,061	13.3	2
Eating & Drinking Places	49,379	54,411	10.2	3
Business Services	30,823	33,429	8.5	4
Wholesale Trade-durable Goods	37,855	38,733	2.3	5

Office of Advocacy, U.S. Small Business Administration. Based upon Census data,
prepared under contract.